

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376

STERLING, KANSAS

JUNE 30, 2010

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

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Edward C. Michel, CPA

Michael E. Evans, CPA

Roger W. Field, CPA

Gregory D. Daughhetee, CPA

Clark R. Cowl, CPA

Todd V. Pflughoeft, CPA

Robert D. Schraeder, CPA

Steven R. Stoecklein, CPA

Kenneth D. Hamby, CPA

John W. Denney, CPA

Michael R. Meisenheimer, CPA

Nick L. Muetting, CPA

Billy J. Klug, CPA

## INDEPENDENT AUDITORS' REPORT

**Board of Education  
Rice County Unified School District No. 376  
Sterling, Kansas**

We have audited the accompanying financial statements of Rice County Unified School District No. 376, Sterling, Kansas as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Rice County Unified School District No. 376, Kansas's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and guidance in the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2010, the changes in its financial position, or where applicable, its cash flows for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the District, as of June 30, 2010, and its cash receipts, expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2010, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the District taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, on the basis of accounting described in note 1.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Jarvis".

Certified Public Accountants

Hutchinson, Kansas  
November 16, 2010

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

| Funds   | Beginning<br>Unencumbered<br>Cash Balance | Prior Year<br>Canceled<br>Encumbrances | Cash<br>Receipts | Expenditures | Ending<br>Unencumbered<br>Cash Balance | Add Outstanding<br>Encumbrances<br>and Accounts<br>Payable | Ending<br>Cash<br>Balance |
|---|---|--|------------------|--------------|--|--|---------------------------|
|   | \$  | \$                                     | \$               | \$           | \$                                     | \$   | \$                        |
| General   | -   | -                                      | 4,158,638        | 4,158,638    | -                                      | 415,100  | 415,100                   |
| Supplemental general                            | 14,514                                    | -                                      | 1,339,150        | 1,343,641    | 10,023                                 | 69,722   | 79,745                    |
| Special revenue funds                           |   |  |                  |              |  |  |                           |
| Capital outlay                                  | 120,373                                   | -                                      | 12,921           | -            | 133,294                                | -  | 133,294                   |
| Driver training                                 | 13,875                                    | -                                      | 5,222            | 6,787        | 12,310                                 | 2,463  | 14,773                    |
| Food service                                    | 39,363                                    | -                                      | 298,197          | 299,776      | 37,784                                 | 16,498   | 54,282                    |
| Professional development                        | 4,384                                     | -                                      | 10,000           | 11,985       | 2,399                                  | -  | 2,399                     |
| Special education                               | 15,484                                    | -                                      | 863,095          | 788,604      | 89,975                                 | 3,317  | 93,292                    |
| Vocational education                            | -   | -                                      | 219,729          | 219,729      | -                                      | 34,676   | 34,676                    |
| Recreation Commission                           | -   | -                                      | 75,978           | 75,978       | -                                      | -  | -                         |
| Federal   | 1,229                                     | -                                      | 130,381          | 130,911      | 699                                    | 14,195   | 14,894                    |
| KPERS special retirement contribution           | -   | -                                      | 243,933          | 243,933      | -                                      | -  | -                         |
| At risk (4 year old)                            | -   | -                                      | 12,589           | 12,589       | -                                      | -  | -                         |
| At risk (K-12)                                  | -   | -                                      | 171,533          | 171,533      | -                                      | -  | -                         |
| Contingency reserve                             | 42,498                                    | -                                      | -                | -            | 42,498                                 | 26,760   | 26,760                    |
| Memorial scholarship                            | 154,371                                   | -                                      | 15,836           | 4,921        | 165,286                                | -  | 42,498                    |
| Grade school playground                         | -   | -                                      | 8,080            | -            | 8,080                                  | -  | 165,286                   |
| Uniform replacement                             | 19,407                                    | -                                      | 6,400            | -            | 25,807                                 | -  | 8,080                     |
| Other grants                                    | 238                                       | -                                      | 9,693            | 9,105        | 826                                    | -  | 25,807                    |
| Textbook rental                                 | 1,120                                     | -                                      | 11,192           | 10,182       | 2,130                                  | -  | 826                       |
| District activity (statement 5)                 | 3,553                                     | -                                      | 69,901           | 63,871       | 9,583                                  | -  | 2,130                     |
| Debt service                                    |   |  |                  |              |  |  | 9,583                     |
| Bond and interest                               | 290,026                                   | -                                      | 919,985          | 857,281      | 352,730                                | -  | 352,730                   |
| Capital projects                                | 19,733,621                                | -                                      | -                | 7,129,875    | 12,603,746                             | 306,619  | 12,910,365                |
| TOTAL PRIMARY GOVERNMENT                        | 20,454,056                                | -                                      | 8,582,453        | 15,539,339   | 13,497,170                             | 889,350  | 14,386,520                |
| COMPONENT UNIT                                  |   |  |                  |              |  |  |                           |
| Recreation Commission                           | 49,703                                    | -                                      | 143,088          | 121,403      | 71,388                                 | 2,901  | 74,289                    |
| TOTAL REPORTING ENTITY (excluding agency funds) | 20,503,759                                | -                                      | 8,725,541        | 15,660,742   | 13,568,558                             | 892,251  | 14,460,809                |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH -  
REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

Statement 1  
Page 2 of 2

COMPOSITION OF CASH

|  |                                 |
|--|---------------------------------|
| Checking accounts                                      |                                 |
| First Bank, Sterling, Kansas                           | \$ 36,944                       |
| Alden State Bank, Alden, Kansas                        | 90,681                          |
| Money market and savings accounts                      |                                 |
| First Bank, Sterling, Kansas                           | 1,260,193                       |
| Alden State Bank, Alden, Kansas                        | 510,686                         |
| Certificates of deposit - First Bank, Sterling, Kansas |                                 |
| First Bank, Sterling, Kansas                           | 1,205,381                       |
| Alden State Bank, Alden, Kansas                        | 1,003,901                       |
| Kansas municipal investment pool                       | 10,306,094                      |
| Total component unit                                   | <u>74,289</u>                   |
| <br>TOTAL CASH   | <br>14,488,169                  |
| AGENCY FUNDS PER STATEMENT 4                           | <u>(27,360)</u>                 |
| <br>TOTAL REPORTING ENTITY (excluding agency funds)    | <br><u><u>\$ 14,460,809</u></u> |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SUMMARY OF EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
(BUDGETED FUNDS ONLY)  
For the Fiscal Year Ended June 30, 2010

| Funds                                 | Certified<br>Budget | Adjustment to<br>Comply with<br>Legal Max | Adjustment for<br>Qualifying<br>Budget Credits | Total Budget<br>for<br>Comparison | Expenditures<br>Chargeable to<br>Current Year | Variance<br>Over<br>(Under) | Statement 2 |
|---------------------------------------|---------------------|---|--|-----------------------------------|---|-----------------------------|-------------|
|                                       |                     |   |  |                                   |   |                             |             |
| General                               | \$ 4,319,654        | \$ (262,318)                              | \$ 101,303                                     | \$ 4,158,639                      | \$ 4,158,638                                  | \$ (1)                      |             |
| Supplemental general                  | 1,355,320           | (11,678)                                  | -  | 1,343,642                         | 1,343,641                                     | (1)                         |             |
| Special revenue funds                 |                     |   |  |                                   |   |                             |             |
| Capital outlay                        | 115,000             | -   | -  | 115,000                           | -   | (115,000)                   |             |
| Driver training                       | 6,210               | -   | -  | 6,210                             | 6,787   | 577                         |             |
| Food service                          | 365,115             | -   | -  | 365,115                           | 299,776                                       | (65,339)                    |             |
| Professional development              | 18,608              | -   | -  | 18,608                            | 11,985  | (6,623)                     |             |
| Special education                     | 851,111             | -   | -  | 851,111                           | 788,604                                       | (62,507)                    |             |
| Vocational education                  | 192,000             | -   | -  | 192,000                           | 219,729                                       | 27,729                      |             |
| Recreation Commission                 | 80,000              | -   | -  | 80,000                            | 75,978  | (4,022)                     |             |
| Federal                               | 133,440             | -   | -  | 133,440                           | 130,911                                       | (2,529)                     |             |
| KPERS special retirement contribution | 264,774             | -   | -  | 264,774                           | 243,933                                       | (20,841)                    |             |
| At risk (4 year old)                  | 34,000              | -   | -  | 34,000                            | 12,589  | (21,411)                    |             |
| At risk (K-12)                        | 414,000             | -   | -  | 414,000                           | 171,533                                       | (242,467)                   |             |
| Debt service                          |                     |   |  |                                   |   |                             |             |
| Bond and interest                     | 857,331             | -   | -  | 857,331                           | 857,281                                       | (50)                        |             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
Page 1 of 20

|                                     | Actual           | Budget              | Variance<br>Over<br>(Under) |
|-------------------------------------|------------------|---------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                |                  |                     |                             |
| Current tax                         | \$ 394,291       | \$ 407,493          | \$ (13,202)                 |
| Delinquent tax                      | 8,885            | 3,490               | 5,395                       |
| In lieu tax                         | 383              | -                   | 383                         |
| Mineral tax                         | 1,848            | -                   | 1,848                       |
| General state aid                   | 2,903,144        | 2,903,144           | -                           |
| General state special education aid | 556,582          | 596,493             | (39,911)                    |
| Federal aid                         | 61,800           | -                   | 61,800                      |
| ARRA stabilization funds            | 192,202          | 192,202             | -                           |
| Reimbursements                      | 39,503           | -                   | 39,503                      |
| <b>TOTAL CASH RECEIPTS</b>          | <u>4,158,638</u> | <u>\$ 4,102,822</u> | <u>\$ 55,816</u>            |
| <b>EXPENDITURES</b>                 |                  |                     |                             |
| Instruction                         |                  |                     |                             |
| Salaries                            |                  |                     |                             |
| ARRA wages and salaries             | 192,202          | \$ -                | \$ 192,202                  |
| Certified                           | 1,056,351        | 1,440,688           | (384,337)                   |
| Noncertified                        | 255,722          | 66,736              | 188,986                     |
| Employee benefits                   |                  |                     |                             |
| Insurance                           | 226,705          | 140,100             | 86,605                      |
| Social Security                     | 124,695          | 128,600             | (3,905)                     |
| Other                               | 2,069            | 2,775               | (706)                       |
| Purchased professional services     | -                | 18,680              | (18,680)                    |
| Purchased property services         | -                | 7,250               | (7,250)                     |
| Other purchased services            |                  |                     |                             |
| Tuition                             | -                | 23,000              | (23,000)                    |
| Other                               | 55,507           | 24,000              | 31,507                      |
| Supplies                            |                  |                     |                             |
| General supplemental (teaching)     | 122,252          | 134,000             | (11,748)                    |
| Textbooks                           | 2,239            | 4,000               | (1,761)                     |
| Supplies (technology related)       | -                | 1,000               | (1,000)                     |
| Miscellaneous supplies              | 6,282            | 35,500              | (29,218)                    |
| Property                            | -                | 38,000              | (38,000)                    |
| Support services                    |                  |                     |                             |
| Student support services            |                  |                     |                             |
| Salaries                            |                  |                     |                             |
| Certified                           | 90,768           | 100,550             | (9,782)                     |
| Noncertified                        | 21,450           | 22,965              | (1,515)                     |
| Employee benefits                   |                  |                     |                             |
| Insurance                           | 492              | 2,882               | (2,390)                     |
| Social Security                     | 8,402            | 7,180               | 1,222                       |
| Other                               | 105              | 74                  | 31                          |
| Purchased professional services     | -                | 10,400              | (10,400)                    |
| Supplies                            | 2,411            | -                   | 2,411                       |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
Page 2 of 20

|                                 | Actual    | Budget    | Variance<br>Over<br>(Under) |
|---------------------------------|-----------|-----------|-----------------------------|
| EXPENDITURES (continued)        |           |           |                             |
| Instructional support staff     |           |           |                             |
| Salaries                        |           |           |                             |
| Certified                       | \$ 43,643 | \$ 46,550 | \$ (2,907)                  |
| Noncertified                    | 26,542    | 35,450    | (8,908)                     |
| Employee benefits               |           |           |                             |
| Insurance                       | 10,518    | 12,625    | (2,107)                     |
| Social Security                 | 5,281     | 5,750     | (469)                       |
| Other                           | 66        | 75        | (9)                         |
| Supplies                        | 2,900     | -         | 2,900                       |
| General administration          |           |           |                             |
| Salaries                        |           |           |                             |
| Certified                       | 107,335   | 95,100    | 12,235                      |
| Noncertified                    | 26,831    | 27,100    | (269)                       |
| Employee benefits               |           |           |                             |
| Insurance                       | 9,192     | 9,300     | (108)                       |
| Social Security                 | 8,564     | 8,740     | (176)                       |
| Other                           | 107       | 110       | (3)                         |
| Purchased professional services | 10,218    | -         | 10,218                      |
| Other purchased services        |           |           |                             |
| Communications                  | 5,945     | 15,000    | (9,055)                     |
| Other                           | 7,298     | 1,500     | 5,798                       |
| Property                        | 12,930    | -         | 12,930                      |
| Other                           | 13,638    | -         | 13,638                      |
| School administration           |           |           |                             |
| Salaries                        |           |           |                             |
| Certified                       | 130,260   | 143,950   | (13,690)                    |
| Noncertified                    | 80,973    | 90,560    | (9,587)                     |
| Employee benefits               |           |           |                             |
| Insurance                       | 14,286    | 11,300    | 2,986                       |
| Social Security                 | 15,665    | 16,600    | (935)                       |
| Other                           | 196       | 212       | (16)                        |
| Purchased professional services | 2,715     | -         | 2,715                       |
| Other purchased services        |           |           |                             |
| Communications                  | 11,583    | -         | 11,583                      |
| Supplies                        | 2,968     | -         | 2,968                       |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
Page 3 of 20

|                                   | Actual     | Budget     | Variance<br>Over<br>(Under) |
|-----------------------------------|------------|------------|-----------------------------|
| EXPENDITURES (continued)          |            |            |                             |
| Operations and maintenance        |            |            |                             |
| Salaries                          |            |            |                             |
| Noncertified                      | \$ 203,801 | \$ 227,250 | \$ (23,449)                 |
| Employee benefits                 |            |            |                             |
| Insurance                         | 20,171     | 28,500     | (8,329)                     |
| Social Security                   | 16,195     | 19,760     | (3,565)                     |
| Other                             | 203        | 252        | (49)                        |
| Purchased property services       |            |            |                             |
| Repair of buildings               | 3,878      | -          | 3,878                       |
| Other purchased services          |            |            |                             |
| Insurance                         | 35,436     | 42,500     | (7,064)                     |
| Other                             | 27,767     | -          | 27,767                      |
| Property                          | 1,850      | -          | 1,850                       |
| Vehicle operating services        |            |            |                             |
| Salaries                          |            |            |                             |
| Noncertified                      | 77,125     | 97,460     | (20,335)                    |
| Employee benefits                 |            |            |                             |
| Insurance                         | 3,067      | 3,016      | 51                          |
| Social Security                   | 5,672      | 5,840      | (168)                       |
| Other                             | 3,683      | 81         | 3,602                       |
| Other purchased services          |            |            |                             |
| Mileage In lieu of transportation | -          | 2,000      | (2,000)                     |
| Insurance                         | 6,630      | 7,200      | (570)                       |
| Motor fuel                        | 40,514     | 58,000     | (17,486)                    |
| Other                             | 62,330     | 68,000     | (5,670)                     |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual      | Budget              | Variance<br>Over<br>(Under) |
|---|-------------|---------------------|-----------------------------|
| EXPENDITURES (continued)                      |             |                     |                             |
| Other supplemental service                    |             |                     |                             |
| Salaries                                      |             |                     |                             |
| Noncertified                                  | \$ 32,799   | \$ -                | \$ 32,799                   |
| Employee benefits                             |             |                     |                             |
| Insurance                                     | 4,596       | -                   | 4,596                       |
| Social Security                               | 2,244       | -                   | 2,244                       |
| Other   | 29          | -                   | 29                          |
| Purchased professional and technical services | 2,985       | -                   | 2,985                       |
| Fund transfers                                |             |                     |                             |
| Transfer to food service                      | 25,000      | 40,000              | (15,000)                    |
| Transfer to professional development          | 10,000      | 10,000              | -                           |
| Transfer to special education                 | 536,357     | 596,493             | (60,136)                    |
| Transfer to vocational education              | 192,000     | 192,000             | -                           |
| Transfer to at risk (4 year old)              | 2,000       | 2,000               | -                           |
| Transfer to at risk (K-12)                    | 125,000     | 191,000             | (66,000)                    |
| General fund adopted budget                   | 4,158,638   | 4,319,654           | (161,016)                   |
| Adjustment to comply with legal max           | -           | (262,318)           | 262,318                     |
| Adjustment for qualifying budget credits      | -           | 101,303             | (101,303)                   |
| TOTAL EXPENDITURES                            | 4,158,638   | <u>\$ 4,158,639</u> | <u>\$ (1)</u>               |
| RECEIPTS OVER (UNDER) EXPENDITURES            | -           |                     |                             |
| UNENCUMBERED CASH, BEGINNING                  | -           |                     |                             |
| UNENCUMBERED CASH, ENDING                     | <u>\$ -</u> |                     |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SUPPLEMENTAL GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|                                 | Actual           | Budget              | Variance<br>Over<br>(Under) |
|---------------------------------|------------------|---------------------|-----------------------------|
| <b>CASH RECEIPTS</b>            |                  |                     |                             |
| Tax in process                  | \$ -             | \$ 23,221           | \$ (23,221)                 |
| Current tax                     | 526,497          | 518,583             | 7,914                       |
| Delinquent tax                  | 14,310           | 4,698               | 9,612                       |
| Motor vehicle tax               | 64,837           | 59,089              | 5,748                       |
| Recreational vehicle tax        | 1,526            | 1,267               | 259                         |
| In lieu of taxes                | 458              | -                   | 458                         |
| ARRA stabilization              | 186,357          | -                   | 186,357                     |
| Supplemental state aid          | 545,165          | 733,946             | (188,781)                   |
| <b>TOTAL CASH RECEIPTS</b>      | <u>1,339,150</u> | <u>\$ 1,340,804</u> | <u>\$ (1,654)</u>           |
| <b>EXPENDITURES</b>             |                  |                     |                             |
| Instruction                     |                  |                     |                             |
| Salaries                        |                  |                     |                             |
| Certified                       | 109,071          | \$ -                | \$ 109,071                  |
| Noncertified                    | 19,941           | -                   | 19,941                      |
| Supplies                        |                  |                     |                             |
| Miscellaneous supplies          | 10,387           | -                   | 10,387                      |
| Operations and maintenance      |                  |                     |                             |
| Purchased professional services | 45,221           | 45,750              | (529)                       |
| Purchased property services     |                  |                     |                             |
| Water/sewer                     | 9,982            | 10,400              | (418)                       |
| Repair of buildings             | 165              | -                   | 165                         |
| Other purchased services        | 53,416           | -                   | 53,416                      |
| Energy                          |                  |                     |                             |
| Heating                         | 39,536           | 50,000              | (10,464)                    |
| Electricity                     | 98,805           | 120,000             | (21,195)                    |
| Miscellaneous supplies          | -                | 51,150              | (51,150)                    |
| Property                        | 1,659            | -                   | 1,659                       |
| Vehicle operating services      |                  |                     |                             |
| Equipment                       | -                | 76,250              | (76,250)                    |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SUPPLEMENTAL GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|                                       | Actual           | Budget              | Variance<br>Over<br>(Under) |
|---------------------------------------|------------------|---------------------|-----------------------------|
| EXPENDITURES (continued)              |                  |                     |                             |
| General administration                |                  |                     |                             |
| Salaries                              |                  |                     |                             |
| Noncertified                          | \$ 19,930        | \$ -                | \$ 19,930                   |
| School administration                 |                  |                     |                             |
| Purchased professional services       | -                | 58,045              | (58,045)                    |
| Purchased property services           | -                | 41,000              | (41,000)                    |
| Property                              | -                | 10,000              | (10,000)                    |
| Other supplemental services           |                  |                     |                             |
| Salaries                              |                  |                     |                             |
| Certified                             | 97,454           | -                   | 97,454                      |
| Employee benefits                     |                  |                     |                             |
| Insurance                             | 9,192            | -                   | 9,192                       |
| Social Security                       | 7,006            | -                   | 7,006                       |
| Other                                 | 88               | -                   | 88                          |
| Purchased professional services       | 13,324           | -                   | 13,324                      |
| Other purchased services              | 61,483           | -                   | 61,483                      |
| Supplies                              | 71,700           | -                   | 71,700                      |
| Property                              | 49,315           | 300,000             | (250,685)                   |
| Community services operations         | -                | 129,125             | (129,125)                   |
| ARRA stabilization salaries and wages | 186,357          | -                   | 186,357                     |
| Fund transfers                        |                  |                     |                             |
| Transfer to special education         | 324,146          | 239,300             | 84,846                      |
| Transfer to food service              | 30,612           | 35,000              | (4,388)                     |
| Transfer to vocational education      | 27,729           | -                   | 27,729                      |
| Transfer to professional development  | -                | 4,300               | (4,300)                     |
| Transfer to at risk (4 year old)      | 10,589           | 12,000              | (1,411)                     |
| Transfer to at risk (K-12)            | 46,533           | 173,000             | (126,467)                   |
| Supplemental fund adopted budget      | 1,343,641        | 1,355,320           | (11,679)                    |
| Adjustment to comply with legal max   | -                | (11,678)            | 11,678                      |
| TOTAL EXPENDITURES                    | <u>1,343,641</u> | <u>\$ 1,343,642</u> | <u>\$ (1)</u>               |
| RECEIPTS OVER (UNDER) EXPENDITURES    | (4,491)          |                     |                             |
| UNENCUMBERED CASH, BEGINNING          | <u>14,514</u>    |                     |                             |
| UNENCUMBERED CASH, ENDING             | <u>\$ 10,023</u> |                     |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

CAPITAL OUTLAY FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual            | Budget            | Variance<br>Over<br>(Under) |
|---|-------------------|-------------------|-----------------------------|
|   | <u>Actual</u>     | <u>Budget</u>     | <u>(Under)</u>              |
| <b>CASH RECEIPTS</b>                      |                   |                   |                             |
| Tax in process                            | \$ -              | \$ 38             | \$ (38)                     |
| Current tax                               | 4,274             | 4,587             | (313)                       |
| Delinquent tax                            | 477               | 102               | 375                         |
| Motor vehicle tax                         | 2,315             | 1,963             | 352                         |
| Recreational vehicle tax                  | 7                 | 42                | (35)                        |
| In lieu of taxes                          | 56                | -                 | 56                          |
| Interest on idle funds                    | 4,779             | 6,000             | (1,221)                     |
| Miscellaneous                             | 1,013             | 5,000             | (3,987)                     |
|   | <u>12,921</u>     | <u>\$ 17,732</u>  | <u>\$ (4,811)</u>           |
| <b>EXPENDITURES</b>                       |                   |                   |                             |
| Support services                          |                   |                   |                             |
| Student support services                  |                   |                   |                             |
| Property                                  | -                 | \$ 20,000         | \$ (20,000)                 |
| Transportation                            |                   |                   |                             |
| Property                                  | -                 | 80,000            | (80,000)                    |
| Operations and maintenance                |                   |                   |                             |
| Property                                  | -                 | 15,000            | (15,000)                    |
|   | <u>-</u>          | <u>\$ 115,000</u> | <u>\$ (115,000)</u>         |
| <b>TOTAL EXPENDITURES</b>                 | <u>-</u>          | <u>\$ 115,000</u> | <u>\$ (115,000)</u>         |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | 12,921            |                   |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <u>120,373</u>    |                   |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ 133,294</u> |                   |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

DRIVER TRAINING FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|                                    | <u>Actual</u>    | <u>Budget</u>   | <u>Variance<br/>Over<br/>(Under)</u> |
|------------------------------------|------------------|-----------------|--------------------------------------|
| CASH RECEIPTS                      |                  |                 |                                      |
| Fees                               | \$ 3,622         | \$ 3,600        | \$ 22                                |
| State safety aid                   | 1,600            | 1,650           | (50)                                 |
| TOTAL CASH RECEIPTS                | <u>5,222</u>     | <u>\$ 5,250</u> | <u>\$ (28)</u>                       |
| EXPENDITURES                       |                  |                 |                                      |
| Instruction                        |                  |                 |                                      |
| Salaries                           |                  |                 |                                      |
| Certified                          | 5,820            | \$ 5,000        | \$ 820                               |
| Employee benefits                  |                  |                 |                                      |
| Social Security                    | 428              | 400             | 28                                   |
| Other                              | 4                | 10              | (6)                                  |
| Supplies                           |                  |                 |                                      |
| General supplemental (teaching)    | -                | 175             | (175)                                |
| Other                              | 193              | 625             | (432)                                |
| Support services                   |                  |                 |                                      |
| Vehicle operation and maintenance  |                  |                 |                                      |
| Insurance                          | <u>342</u>       | <u>-</u>        | <u>342</u>                           |
| TOTAL EXPENDITURES                 | <u>6,787</u>     | <u>\$ 6,210</u> | <u>\$ 577</u>                        |
| RECEIPTS OVER (UNDER) EXPENDITURES | (1,565)          |                 |                                      |
| UNENCUMBERED CASH, BEGINNING       | <u>13,875</u>    |                 |                                      |
| UNENCUMBERED CASH, ENDING          | <u>\$ 12,310</u> |                 |                                      |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

FOOD SERVICE FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual           | Budget            | Variance<br>Over<br>(Under) |
|---|------------------|-------------------|-----------------------------|
|   | <u>Actual</u>    | <u>Budget</u>     | <u>(Under)</u>              |
| <b>CASH RECEIPTS</b>                      |                  |                   |                             |
| Federal aid                               | \$ 132,127       | \$ 163,379        | \$ (31,252)                 |
| State aid                                 | 3,288            | 4,500             | (1,212)                     |
| Student sales - lunch                     | 94,506           | 108,800           | (14,294)                    |
| Student sales - breakfast                 | -                | 2,400             | (2,400)                     |
| Student sales - special milk              | 305              | 1,050             | (745)                       |
| Miscellaneous                             | 1,955            | 75                | 1,880                       |
| Adult sales                               | 8,558            | 14,740            | (6,182)                     |
| Ala carte                                 | 1,846            | -                 | 1,846                       |
| Transfer from supplemental general        | 30,612           | 35,000            | (4,388)                     |
| Transfer from general                     | 25,000           | 40,000            | (15,000)                    |
|   | <u>298,197</u>   | <u>\$ 369,944</u> | <u>\$ (71,747)</u>          |
| <b>EXPENDITURES</b>                       |                  |                   |                             |
| Operation of noninstructional services    |                  |                   |                             |
| Food service operation                    |                  |                   |                             |
| Salaries                                  |                  |                   |                             |
| Noncertified                              | 112,974          | \$ 130,840        | \$ (17,866)                 |
| Employee benefits                         |                  |                   |                             |
| Insurance                                 | 12,372           | 9,750             | 2,622                       |
| Social Security                           | 8,381            | 9,400             | (1,019)                     |
| Other                                     | 106              | 125               | (19)                        |
| Supplies                                  |                  |                   |                             |
| Food and milk                             | 148,219          | 165,000           | (16,781)                    |
| Miscellaneous supplies                    | 9,141            | 20,000            | (10,859)                    |
| Property                                  | 5,027            | 15,000            | (9,973)                     |
| Other                                     | 3,556            | 15,000            | (11,444)                    |
|   | <u>299,776</u>   | <u>\$ 365,115</u> | <u>\$ (65,339)</u>          |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | (1,579)          |                   |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <u>39,363</u>    |                   |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ 37,784</u> |                   |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

PROFESSIONAL DEVELOPMENT FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual          | Budget           | Variance<br>Over<br>(Under) |
|---|-----------------|------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                      |                 |                  |                             |
| Transfer from general                     | \$ 10,000       | \$ 10,000        | \$ -                        |
| Transfer from supplemental general        | -               | 4,300            | (4,300)                     |
| <b>TOTAL CASH RECEIPTS</b>                | <u>10,000</u>   | <u>\$ 14,300</u> | <u>\$ (4,300)</u>           |
| <b>EXPENDITURES</b>                       |                 |                  |                             |
| Support services                          |                 |                  |                             |
| Instructional support staff               |                 |                  |                             |
| Salaries                                  |                 |                  |                             |
| Certified                                 | 701             | \$ 4,000         | \$ (3,299)                  |
| Noncertified                              | 3,619           | 3,700            | (81)                        |
| Employee benefits                         |                 |                  |                             |
| Social Security                           | 317             | 600              | (283)                       |
| Other                                     | 3               | 8                | (5)                         |
| Purchased professional and tech services  | 5,255           | 3,000            | 2,255                       |
| Purchased property services               | -               | 3,000            | (3,000)                     |
| Other purchased services                  | 2,012           | -                | 2,012                       |
| Supplies                                  |                 |                  |                             |
| Miscellaneous supplies                    | 78              | 4,300            | (4,222)                     |
| <b>TOTAL EXPENDITURES</b>                 | <u>11,985</u>   | <u>\$ 18,608</u> | <u>\$ (6,623)</u>           |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | (1,985)         |                  |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <u>4,384</u>    |                  |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ 2,399</u> |                  |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SPECIAL EDUCATION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual           | Budget            | Variance<br>Over<br>(Under) |
|---|------------------|-------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                      |                  |                   |                             |
| Transfer from supplemental general        | \$ 324,146       | \$ 239,300        | \$ 84,846                   |
| Transfer from general                     | 536,357          | 596,493           | (60,136)                    |
| Reimbursements                            | 2,592            | -                 | 2,592                       |
| <b>TOTAL CASH RECEIPTS</b>                | <u>863,095</u>   | <u>\$ 835,793</u> | <u>\$ 27,302</u>            |
| <b>EXPENDITURES</b>                       |                  |                   |                             |
| Instruction                               |                  |                   |                             |
| Other purchased services                  |                  |                   |                             |
| Payments to special education co-op       | 727,715          | \$ 798,000        | \$ (70,285)                 |
| Supplies                                  |                  |                   |                             |
| General supplemental                      | 2,097            | 5,000             | (2,903)                     |
| Property                                  | -                | 2,000             | (2,000)                     |
| Support services                          |                  |                   |                             |
| Vehicle operating services                |                  |                   |                             |
| Salaries                                  |                  |                   |                             |
| Noncertified                              | 28,527           | 19,800            | 8,727                       |
| Employee benefits                         |                  |                   |                             |
| Social Security                           | 1,284            | -                 | 1,284                       |
| Other                                     | 363              | 3,071             | (2,708)                     |
| Other purchased services                  |                  |                   |                             |
| Mileage in lieu of transportation         | -                | 300               | (300)                       |
| Insurance                                 | 540              | 340               | 200                         |
| Supplies                                  |                  |                   |                             |
| Motor fuel                                | 13,969           | 2,600             | 11,369                      |
| Vehicle services and maintenance services |                  |                   |                             |
| Purchased property services               | 14,109           | 20,000            | (5,891)                     |
| <b>TOTAL EXPENDITURES</b>                 | <u>788,604</u>   | <u>\$ 851,111</u> | <u>\$ (62,507)</u>          |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | 74,491           |                   |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <u>15,484</u>    |                   |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ 89,975</u> |                   |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

VOCATIONAL EDUCATION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual         | Budget            | Variance<br>Over<br>(Under) |
|---|----------------|-------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                          |                |                   |                             |
| Transfer from general                         | \$ 192,000     | \$ 192,000        | \$ -                        |
| Transfer from supplemental general            | 27,729         | -                 | 27,729                      |
| <b>TOTAL CASH RECEIPTS</b>                    | <u>219,729</u> | <u>\$ 192,000</u> | <u>\$ 27,729</u>            |
| <b>EXPENDITURES</b>                           |                |                   |                             |
| Instruction                                   |                |                   |                             |
| Salaries                                      |                |                   |                             |
| Certified                                     | 183,679        | \$ 150,021        | \$ 33,658                   |
| Employee benefits                             |                |                   |                             |
| Insurance                                     | 12,236         | 8,579             | 3,657                       |
| Social Security                               | 12,921         | 10,700            | 2,221                       |
| Other   | 162            | 140               | 22                          |
| Purchased professional and technical services | 50             | -                 | 50                          |
| Supplies                                      |                |                   |                             |
| General supplemental                          | 10,058         | 22,000            | (11,942)                    |
| Property                                      | 623            | 560               | 63                          |
| <b>TOTAL EXPENDITURES</b>                     | <u>219,729</u> | <u>\$ 192,000</u> | <u>\$ 27,729</u>            |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b>     | -              |                   |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>           | -              |                   |                             |
| <b>UNENCUMBERED CASH, ENDING</b>              | <u>\$ -</u>    |                   |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

RECREATION COMMISSION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual        | Budget           | Variance<br>Over<br>(Under) |
|---|---------------|------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                      |               |                  |                             |
| Tax in process                            | \$ -          | \$ 2,730         | \$ (2,730)                  |
| Current tax                               | 67,614        | 66,018           | 1,596                       |
| Delinquent tax                            | -             | 579              | (579)                       |
| Motor vehicle tax                         | 8,170         | 7,487            | 683                         |
| Recreational vehicle tax                  | 194           | 161              | 33                          |
| Miscellaneous                             | -             | 17,000           | (17,000)                    |
| <b>TOTAL CASH RECEIPTS</b>                | <u>75,978</u> | <u>\$ 93,975</u> | <u>\$ (17,997)</u>          |
| <b>EXPENDITURES</b>                       |               |                  |                             |
| Community service operations              | <u>75,978</u> | <u>\$ 80,000</u> | <u>\$ (4,022)</u>           |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | -             |                  |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | -             |                  |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ -</u>   |                  |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

FEDERAL FUNDS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|                                    | Title I -<br>Local<br>Educational<br>Agencies | Title II -<br>Educational<br>Technology | Title II -<br>Improving<br>Teacher<br>Quality | Coordinated<br>School<br>Health<br>Program | Total<br>Federal<br>Funds<br>Actual | Total<br>Federal<br>Funds<br>Budget | Variance<br>Over<br>(Under) |
|------------------------------------|---|---|---|--|-------------------------------------|-------------------------------------|-----------------------------|
| CASH RECEIPTS                      |   |   |   |  |                                     |                                     |                             |
| Federal aid                        | \$ 103,203                                    | \$ 2,253                                | \$ 24,085                                     | \$ -                                       | \$ 129,541                          | \$ 132,211                          | \$ (2,670)                  |
| State aid                          | -   | -                                       | -   | 840  | 840                                 | -                                   | 840                         |
| TOTAL CASH RECEIPTS                | 103,203                                       | 2,253                                   | 24,085  | 840  | 130,381                             | 132,211                             | (1,830)                     |
| EXPENDITURES                       |   |   |   |  |                                     |                                     |                             |
| Instruction                        |   |   |   |  |                                     |                                     |                             |
| Salaries                           | 84,168  | 1,602                                   | 23,204  | -  | 108,974                             | 94,000                              | 14,974                      |
| Employee benefits                  |   |   |   |  |                                     |                                     |                             |
| Insurance                          | 11,490  | -                                       | -   | -  | 11,490                              | 11,500                              | (10)                        |
| Social Security                    | 6,891   | -                                       | 870   | -  | 7,761                               | 7,800                               | (39)                        |
| Other                              | 86  | -                                       | 11  | -  | 97                                  | 93                                  | 4                           |
| Purchased professional services    | -   | 651                                     | -   | -  | 651                                 | 13,047                              | (12,396)                    |
| Supplies                           |   |   |   |  |                                     |                                     |                             |
| Miscellaneous supplies             | 568   | -                                       | -   | -  | 568                                 | 3,000                               | (2,432)                     |
| Other                              | -   | -                                       | -   | -  | -                                   | 4,000                               | (4,000)                     |
| Support services                   |   |   |   |  |                                     |                                     |                             |
| Operations and maintenance         |   |   |   |  |                                     |                                     |                             |
| Property                           | -   | -                                       | -   | 1,370                                      | 1,370                               | -                                   | 1,370                       |
| TOTAL EXPENDITURES                 | 103,203                                       | 2,253                                   | 24,085  | 1,370                                      | 130,911                             | 133,440                             | (2,529)                     |
| RECEIPTS OVER (UNDER) EXPENDITURES | -   | -                                       | -   | (530)                                      | (530)                               |                                     |                             |
| UNENCUMBERED CASH, BEGINNING       | -   | -                                       | -   | 1,229                                      | 1,229                               |                                     |                             |
| UNENCUMBERED CASH, ENDING          | \$ -  | \$ -                                    | \$ -  | \$ 699                                     | \$ 699                              |                                     |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|                                    | Actual     | Budget     | Variance<br>Over<br>(Under) |
|------------------------------------|------------|------------|-----------------------------|
| CASH RECEIPTS                      |            |            |                             |
| State KPERS                        | \$ 243,933 | \$ 264,774 | \$ (20,841)                 |
| EXPENDITURES                       |            |            |                             |
| Instruction                        |            |            |                             |
| Employee benefits                  | 154,653    | \$ 122,074 | \$ 32,579                   |
| Support services                   |            |            |                             |
| School administration              |            |            |                             |
| Employee benefits                  | 11,953     | 16,900     | (4,947)                     |
| Student support                    |            |            |                             |
| Employee benefits                  | 12,929     | 11,800     | 1,129                       |
| Instructional support              |            |            |                             |
| Employee benefits                  | 13,417     | 53,200     | (39,783)                    |
| General administration             |            |            |                             |
| Employee benefits                  | 7,562      | 7,600      | (38)                        |
| Other supplemental services        |            |            |                             |
| Employee benefits                  | 11,709     | 14,400     | (2,691)                     |
| Operations and maintenance         |            |            |                             |
| Employee benefits                  | 16,831     | 18,600     | (1,769)                     |
| Student transportation services    |            |            |                             |
| Employee benefits                  | 5,366      | 8,300      | (2,934)                     |
| Food service                       |            |            |                             |
| Employee benefits                  | 9,513      | 11,900     | (2,387)                     |
| TOTAL EXPENDITURES                 | 243,933    | \$ 264,774 | \$ (20,841)                 |
| RECEIPTS OVER (UNDER) EXPENDITURES | -          |            |                             |
| UNENCUMBERED CASH, BEGINNING       | -          |            |                             |
| UNENCUMBERED CASH, ENDING          | \$ -       |            |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

AT RISK FUND (4 YEAR OLD)  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual        | Budget           | Variance<br>Over<br>(Under) |
|---|---------------|------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                      |               |                  |                             |
| Transfer from general                     | \$ 2,000      | \$ 2,000         | \$ -                        |
| Transfer from supplemental general        | 10,589        | 12,000           | (1,411)                     |
| Miscellaneous                             | -             | 20,000           | (20,000)                    |
|   | <u>12,589</u> | <u>\$ 34,000</u> | <u>\$ (21,411)</u>          |
| <b>EXPENDITURES</b>                       |               |                  |                             |
| Instruction                               |               |                  |                             |
| Salaries                                  |               |                  |                             |
| Certified                                 | 11,033        | \$ 13,500        | \$ (2,467)                  |
| Supplies                                  |               |                  |                             |
| Textbooks                                 | 236           | -                | 236                         |
| Miscellaneous                             | -             | 250              | (250)                       |
| Other                                     | -             | 20,000           | (20,000)                    |
| Property                                  | 1,320         | 250              | 1,070                       |
|   | <u>12,589</u> | <u>\$ 34,000</u> | <u>\$ (21,411)</u>          |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | -             |                  |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | -             |                  |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ -</u>   |                  |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

AT RISK FUND (K-12)  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Actual         | Budget            | Variance<br>Over<br>(Under) |
|---|----------------|-------------------|-----------------------------|
| <b>CASH RECEIPTS</b>                      |                |                   |                             |
| Transfer from general                     | \$ 125,000     | \$ 191,000        | \$ (66,000)                 |
| Transfer from supplemental general        | 46,533         | 173,000           | (126,467)                   |
| Miscellaneous                             | -              | 50,000            | (50,000)                    |
| <b>TOTAL CASH RECEIPTS</b>                | <u>171,533</u> | <u>\$ 414,000</u> | <u>\$ (242,467)</u>         |
| <b>EXPENDITURES</b>                       |                |                   |                             |
| Instruction                               |                |                   |                             |
| Salaries                                  |                |                   |                             |
| Certified                                 | 119,787        | \$ 308,255        | \$ (188,468)                |
| Noncertified                              | 27,062         | 25,223            | 1,839                       |
| Employee benefits                         |                |                   |                             |
| Insurance                                 | 11,790         | 11,800            | (10)                        |
| Social Security                           | 10,642         | 12,550            | (1,908)                     |
| Other                                     | 134            | 163               | (29)                        |
| Purchased professional services           | 2,112          | 5,115             | (3,003)                     |
| Supplies                                  |                |                   |                             |
| General supplemental                      | 6              | 600               | (594)                       |
| Textbooks                                 | -              | 200               | (200)                       |
| Miscellaneous supplies                    | -              | 50,000            | (50,000)                    |
| Other                                     | -              | 94                | (94)                        |
| <b>TOTAL EXPENDITURES</b>                 | <u>171,533</u> | <u>\$ 414,000</u> | <u>\$ (242,467)</u>         |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | -              |                   |                             |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | -              |                   |                             |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u>\$ -</u>    |                   |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

BOND AND INTEREST FUND  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
(ACTUAL AND BUDGET)  
For the Fiscal Year Ended June 30, 2010

Statement 3  
Page 18 of 20

|                                    | Actual            | Budget              | Variance<br>Over<br>(Under) |
|------------------------------------|-------------------|---------------------|-----------------------------|
| CASH RECEIPTS                      |                   |                     |                             |
| Current tax                        | \$ 530,796        | \$ 540,790          | \$ (9,994)                  |
| Delinquent tax                     | 88                | -                   | 88                          |
| State aid                          | 351,485           | 351,485             | -                           |
| Interest                           | 37,616            | 25,000              | 12,616                      |
| Miscellaneous                      | -                 | 285,000             | (285,000)                   |
| TOTAL CASH RECEIPTS                | <u>919,985</u>    | <u>\$ 1,202,275</u> | <u>\$ (282,290)</u>         |
| EXPENDITURES                       |                   |                     |                             |
| Interest coupons                   | 857,281           | \$ 857,281          | \$ -                        |
| Commission and postage             | -                 | 50                  | (50)                        |
| TOTAL EXPENDITURES                 | <u>857,281</u>    | <u>\$ 857,331</u>   | <u>\$ (50)</u>              |
| RECEIPTS OVER (UNDER) EXPENDITURES | 62,704            |                     |                             |
| UNENCUMBERED CASH, BEGINNING       | <u>290,026</u>    |                     |                             |
| UNENCUMBERED CASH, ENDING          | <u>\$ 352,730</u> |                     |                             |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

NONBUDGETED FUNDS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

Statement 3  
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|   | Contingency<br>Reserve | Memorial<br>Scholarship | Grade<br>School<br>Playground | Uniform<br>Replacement | Donations<br>and<br>Grants | Textbook<br>Rental |
|---|------------------------|-------------------------|-------------------------------|------------------------|----------------------------|--------------------|
| <b>CASH RECEIPTS</b>                      |                        |                         |                               |                        |                            |                    |
| Fees                                      | \$ -                   | \$ -                    | \$ -                          | \$ 6,400               | \$ -                       | \$ 11,192          |
| Grant revenue                             | -                      | -                       | -                             | -                      | 3,675                      | -                  |
| Contributions                             | -                      | 12,618                  | 8,080                         | -                      | 6,018                      | -                  |
| Interest income                           | -                      | 3,218                   | -                             | -                      | -                          | -                  |
| <b>TOTAL CASH RECEIPTS</b>                | <b>-</b>               | <b>15,836</b>           | <b>8,080</b>                  | <b>6,400</b>           | <b>9,693</b>               | <b>11,192</b>      |
| <b>EXPENDITURES</b>                       |                        |                         |                               |                        |                            |                    |
| Instructional                             |                        |                         |                               |                        |                            |                    |
| Textbooks                                 | -                      | -                       | -                             | -                      | -                          | 10,182             |
| Support services                          |                        |                         |                               |                        |                            |                    |
| Operational of noninstructional services  |                        |                         |                               |                        |                            |                    |
| Scholarships                              | -                      | 4,921                   | -                             | -                      | -                          | -                  |
| Other                                     | -                      | -                       | -                             | -                      | 9,105                      | -                  |
| <b>TOTAL EXPENDITURES</b>                 | <b>-</b>               | <b>4,921</b>            | <b>-</b>                      | <b>-</b>               | <b>9,105</b>               | <b>10,182</b>      |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | <b>-</b>               | <b>10,915</b>           | <b>8,080</b>                  | <b>6,400</b>           | <b>588</b>                 | <b>1,010</b>       |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <b>42,498</b>          | <b>154,371</b>          | <b>-</b>                      | <b>19,407</b>          | <b>238</b>                 | <b>1,120</b>       |
| <b>UNENCUMBERED CASH, ENDING</b>          | <b>\$ 42,498</b>       | <b>\$ 165,286</b>       | <b>\$ 8,080</b>               | <b>\$ 25,807</b>       | <b>\$ 826</b>              | <b>\$ 2,130</b>    |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

CAPITAL PROJECTS NONBUDGETED FUNDS  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

Statement 3  
Page 20 of 20

|                                    | <u>Facility<br/>Improvements</u> |
|------------------------------------|----------------------------------|
| CASH RECEIPTS                      | <u>\$ -</u>                      |
| EXPENDITURES                       |                                  |
| Grade school improvements          | 6,654,297                        |
| High school improvements           | <u>475,578</u>                   |
| TOTAL EXPENDITURES                 | <u>7,129,875</u>                 |
| RECEIPTS OVER (UNDER) EXPENDITURES | (7,129,875)                      |
| UNENCUMBERED CASH, BEGINNING       | <u>19,733,621</u>                |
| UNENCUMBERED CASH, ENDING          | <u><u>\$ 12,603,746</u></u>      |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

AGENCY FUNDS  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

Statement 4

| Fund                                     | Beginning<br>Cash Balance | Cash<br>Receipts        | Cash<br>Disbursements   | Ending Cash<br>Balance  |
|--|---------------------------|-------------------------|-------------------------|-------------------------|
| <b>STERLING HIGH SCHOOL</b>              |                           |                         |                         |                         |
| N.H.S.                                   | \$ 709                    | \$ 672                  | \$ 685                  | \$ 696                  |
| Yearbook                                 | 984                       | 16,193                  | 11,981                  | 5,196                   |
| Student council                          | 2,855                     | 2,574                   | 1,907                   | 3,522                   |
| Class of 2011                            | 204                       | 3,931                   | 3,247                   | 888                     |
| Class of 2010                            | 121                       | 1                       | -                       | 122                     |
| Debate                                   | -                         | 973                     | 889                     | 84                      |
| American sign language                   | 566                       | 1,647                   | 1,248                   | 965                     |
| F.C.C.L.A.                               | 963                       | 1,491                   | 1,365                   | 1,089                   |
| Scholars bowl                            | 369                       | -                       | 193                     | 176                     |
| S-Club                                   | 550                       | 210                     | 75                      | 685                     |
| Drama                                    | 295                       | -                       | -                       | 295                     |
| Science Club                             | 297                       | -                       | 221                     | 76                      |
| Band                                     | 3,747                     | 16,204                  | 12,761                  | 7,190                   |
| Sterling Singers                         | 1,195                     | 696                     | 868                     | 1,023                   |
| Concessions                              | 4,678                     | 19,563                  | 20,479                  | 3,762                   |
| <b>TOTAL STERLING HIGH SCHOOL</b>        | <u>17,533</u>             | <u>64,155</u>           | <u>55,919</u>           | <u>25,769</u>           |
| <b>STERLING JUNIOR HIGH SCHOOL</b>       |                           |                         |                         |                         |
| J-Teens                                  | 716                       | 958                     | 974                     | 700                     |
| A Few Good Men                           | 90                        | 199                     | 214                     | 75                      |
| DFYIT                                    | 73                        | 1,447                   | 776                     | 744                     |
| Science fair                             | 65                        | 7                       | -                       | 72                      |
| Student council                          | 729                       | 368                     | 1,097                   | -                       |
| <b>TOTAL STERLING JUNIOR HIGH SCHOOL</b> | <u>1,673</u>              | <u>2,979</u>            | <u>3,061</u>            | <u>1,591</u>            |
| <b>TOTAL AGENCY FUNDS</b>                | <u><u>\$ 19,206</u></u>   | <u><u>\$ 67,134</u></u> | <u><u>\$ 58,980</u></u> | <u><u>\$ 27,360</u></u> |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

DISTRICT ACTIVITY FUNDS - NONBUDGETED  
STATEMENT OF CASH RECEIPTS, EXPENDITURES, AND UNENCUMBERED CASH - REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

Statement 5

|                               | Beginning<br>Unencumbered<br>Cash Balance | Prior Year<br>Canceled<br>Encumbrances | Cash<br>Receipts | Expenditures     | Ending<br>Unencumbered<br>Cash Balance | Add Outstanding<br>Encumbrances<br>and Accounts<br>Payable | Ending Cash<br>Balance |
|-------------------------------|---|--|------------------|------------------|--|--|------------------------|
| DISTRICT ACTIVITY FUNDS       |   |  |                  |                  |  |  |                        |
| Athletics                     |   |  |                  |                  |  |  |                        |
| Sterling High School          | \$ -                                      | \$ -                                   | \$ 44,336        | \$ 40,452        | \$ 3,884                               | \$ -   | \$ 3,884               |
| School activities             |   |  |                  |                  |  |  |                        |
| Sterling Grade School         | 3,553                                     | -                                      | 25,565           | 23,419           | 5,699                                  | -  | 5,699                  |
| TOTAL DISTRICT ACTIVITY FUNDS | <u>\$ 3,553</u>                           | <u>\$ -</u>                            | <u>\$ 69,901</u> | <u>\$ 63,871</u> | <u>\$ 9,583</u>                        | <u>\$ -</u>  | <u>\$ 9,583</u>        |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376 RECREATION COMMISSION  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - REGULATORY BASIS  
For the Fiscal Year Ended June 30, 2010

|   | Statement 6             |
|---|-------------------------|
|   | <u>Actual</u>           |
| <b>CASH RECEIPTS</b>                      |                         |
| Appropriation U.S.D. No. 376              | \$ 75,979               |
| Donations                                 | 4,767                   |
| Fees and other                            | 62,266                  |
| Interest on idle funds                    | 76                      |
|   | <u>143,088</u>          |
| <b>TOTAL CASH RECEIPTS</b>                | <u>143,088</u>          |
| <b>EXPENDITURES</b>                       |                         |
| Advertising                               | 1,554                   |
| Accounting                                | 1,850                   |
| Payroll expenses                          | 7,355                   |
| Insurance                                 | 2,627                   |
| Wages                                     | 51,566                  |
| Silver threads operating fund             | 6,600                   |
| Softball/baseball                         | 6,056                   |
| Basketball                                | 2,155                   |
| Swimming lessons                          | 988                     |
| Golf                                      | 153                     |
| Office expense and miscellaneous          | 5,652                   |
| Open gym                                  | 450                     |
| Sterling striders                         | 250                     |
| Volleyball                                | 655                     |
| Wellness Center                           | 33,492                  |
|   | <u>121,403</u>          |
| <b>TOTAL EXPENDITURES</b>                 | <u>121,403</u>          |
| <b>RECEIPTS OVER (UNDER) EXPENDITURES</b> | 21,685                  |
| <b>UNENCUMBERED CASH, BEGINNING</b>       | <u>49,703</u>           |
| <b>UNENCUMBERED CASH, ENDING</b>          | <u><u>\$ 71,388</u></u> |

The notes to the financial statements are an integral part of this statement.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

NOTES TO FINANCIAL STATEMENTS  
June 30, 2010

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

Rice County Unified School District No. 376 (the District) is a municipal corporation governed by an elected seven-member board. These financial statements present the District and its component unit. The component unit is included in the District's reporting entity because of the significance of its operation and financial relationship with the District.

Discretely Presented Component Unit

The component unit section of the financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District. The governing body of this component unit is appointed by the District. The District's Recreation Commission oversees recreational activities. The Recreation Commission (Commission) can sue and be sued, but acquisition of real property by the Commission must be approved by the District. The District levies taxes for the Commission. Bond issuances must be approved by the District.

Basis of Presentation - Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures/expenses. The individual funds account for the District resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2010:

**Governmental funds**

General and supplemental general fund—to account for all unrestricted resources except those required to be accounted for in another fund.

Special revenue funds—to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Capital project funds—to account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

Debt service funds—to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and the financing of special assessments which are general obligations of the District.

**Fiduciary funds**

Trust and agency funds—to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) nonexpendable trust funds, (c) pension funds, and (d) agency funds.

### Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Revenues are recognized when received rather than when they are earned and certain expenditures are recorded when paid rather than when they are incurred. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that include noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements.

The District has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles, and allowing the municipality to use the statutory basis of accounting.

### Compensated Absences

Certified employees do not earn vacation pay. Accumulated sick leave is compensated as follows:

1. At the conclusion of their current contractual year, the employee will be compensated by the District at the rate of \$45.00 per day for all accumulated, unused sick leave in excess of the carryover maximum of fifty (50) days per year. Said payment will be made in a lump sum payment on June 30.
2. Upon retirement from the District, the employee will be compensated by the District at the rate of \$45.00 per day for all eligible unused sick leave and/or vacation time. Said payment shall be made in a lump sum payment on June 30.

The estimated liability for accumulated sick leave as of June 30, 2010, is \$119,120.

### Reimbursed Expenses (Qualifying Budget Credit)

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: (1) the related disbursement was made in the current year on behalf of the payee, (2) the item paid for was directly identifiable as having been used by or provided to the payee, and (3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

### Use of Estimates

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

## NOTE 2—BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds, (unless specifically exempted by statute), and debt service funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. During the year, budget amendments were adopted for the following funds – general, special education.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital project funds, trust funds, and the following special revenue funds:

|                           |                          |                              |
|---------------------------|--------------------------|------------------------------|
| District activity funds   | Other grants fund        | Grade school playground fund |
| Memorial scholarship fund | Uniform replacement fund |                              |
| Contingency reserve fund  | Textbook rental fund     |                              |

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

The County Clerk must calculate the final tax levy rates necessary to finance the budget subject to any legal limitations. After all budgets have been received and tax rates calculated, the Clerk certifies the tax roll to the County Treasurer, who prepares tax statements and receives payment.

These taxes become a lien against all property November 1. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20 and May 10.

Taxes levied to finance the budget are made available to the District after January 1 and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January. Delinquent tax collections are distributed throughout the year.

### NOTE 3—DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is used by all funds. Each fund's portion of this pool is displayed on the Summary of Cash Receipts, Expenditures, and Unencumbered Cash. The cash balances of certain funds are restricted as to their use.

As of June 30, 2010, the District has the following investments:

| <u>Investment Type</u>           | <u>Fair Value</u>    | <u>Rating</u> |
|----------------------------------|----------------------|---------------|
| Kansas Municipal Investment Pool | <u>\$ 10,306,094</u> | S&P AAf/S1+   |

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas municipal investment pool. The District has no investment policy that would further limit its investment choices. The rating of the District's investments is noted above.

#### Concentration of Credit Risk

State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at June 30, 2010.

#### Deposits

At June 30, 2010, the District's carrying amount of deposits was \$4,107,786, and the bank balance was \$4,523,326. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, and \$4,023,326 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

#### Component Unit

The District's component unit deposits were fully insured at June 30, 2010.

At June 30, 2010, the District had invested \$10,306,094 in the State's municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board (the Board). The Board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas Legislature. State pooled monies may be invested in direct obligation of, or obligations that are insured as to principal and interest, by the United States government or any agency thereof, with maturities up to four years. No more than 10% of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

#### NOTE 4—DEFINED BENEFIT PENSION PLAN

##### Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 South Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

##### Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate of 4.00% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas' average contribution rate for the years ended June 30, 2010, 2009, and 2008, were 8.57%, 6.54%, and 5.93% of covered payroll, respectively. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ended June 30, 2010, 2009, and 2008, were \$248,468,186, \$242,277,363, and \$220,815,154, respectively, equal to the statutory required contributions for each year.

#### NOTE 5—LONG-TERM DEBT

Terms for long-term liabilities for the District for the year ended June 30, 2010, were as follows:

| Issue                          | Interest Rates | Date of Issue | Interest Due | Principal Due | Amount of Issue | Date of Final Maturity |
|--------------------------------|----------------|---------------|--------------|---------------|-----------------|------------------------|
| General obligation bonds       |                |               |              |               |                 |                        |
| Series 2008A                   | 2.50% to 5.00% | 12/15/08      | 03/01, 09/01 | 09/01         | \$ 2,000,000    | 09/01/28               |
| Series 2009A                   | 3.00% to 5.25% | 05/01/09      | 03/01, 09/01 | 09/01         | 18,515,000      | 09/01/35               |
| Capital leases with First Bank |                |               |              |               |                 |                        |
| EPM Temperature Control        | 4.47%          | 11/25/03      |              |               | 195,689         | 07/15/13               |
| Wellness Center                | 3.70%          | 06/14/04      |              |               | 160,000         | 02/15/14               |

Changes in long-term liabilities for the District for the year ended June 30, 2010, were as follows:

| Issue                          | Balance<br>Beginning<br>of Year | Additions       | Reductions/<br>Payments | Balance<br>End of<br>Year | Interest<br>Paid  |
|--------------------------------|---------------------------------|-----------------|-------------------------|---------------------------|-------------------|
| General obligation bonds       |                                 |                 |                         |                           |                   |
| Series 2008A                   | \$ 1,885,000                    | \$ -            | \$ -                    | \$ 1,885,000              | \$ 112,103        |
| Series 2009A                   | 18,515,000                      | -               | -                       | 18,515,000                | 745,177           |
| Capital leases with First Bank |                                 |                 |                         |                           |                   |
| EPM Temperature Control        | 106,527                         | -               | 19,446                  | 87,081                    | 4,869             |
| Wellness Center                | 100,342                         | -               | 12,237                  | 88,105                    | 3,763             |
| Total indebtedness             | 20,606,869                      | -               | 31,683                  | 20,575,186                | 865,912           |
| Compensated absences           | 116,051                         | 3,069           | -                       | 119,120                   | -                 |
|                                | <u>\$ 20,722,920</u>            | <u>\$ 3,069</u> | <u>\$ 31,683</u>        | <u>\$ 20,694,306</u>      | <u>\$ 865,912</u> |

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

|           | Principal                      |                   | Interest                       |                   | Total<br>Principal<br>and Interest |
|-----------|--------------------------------|-------------------|--------------------------------|-------------------|------------------------------------|
|           | General<br>Obligation<br>Bonds | Capital<br>Leases | General<br>Obligation<br>Bonds | Capital<br>Leases |                                    |
| 2011      | \$ -                           | \$ 33,031         | \$ 986,775                     | \$ 7,285          | \$ 1,027,091                       |
| 2012      | 75,000                         | 34,436            | 985,650                        | 5,879             | 1,100,965                          |
| 2013      | 110,000                        | 35,896            | 982,875                        | 4,419             | 1,133,190                          |
| 2014      | 145,000                        | 71,823            | 979,050                        | 2,884             | 1,198,757                          |
| 2015      | 180,000                        | -                 | 974,175                        | -                 | 1,154,175                          |
| 2016-2020 | 1,585,000                      | -                 | 4,726,498                      | -                 | 6,311,498                          |
| 2021-2025 | 3,060,000                      | -                 | 4,222,483                      | -                 | 7,282,483                          |
| 2026-2030 | 5,160,000                      | -                 | 3,231,315                      | -                 | 8,391,315                          |
| 2031-2035 | 8,040,000                      | -                 | 1,627,751                      | -                 | 9,667,751                          |
| 2036-2040 | 2,045,000                      | -                 | 53,681                         | -                 | 2,098,681                          |
|           | <u>\$ 20,400,000</u>           | <u>\$ 175,186</u> | <u>\$ 18,770,253</u>           | <u>\$ 20,467</u>  | <u>\$ 39,365,906</u>               |

#### NOTE 6—TRANSFERS

Operating transfers were as follows:

| Amount    | From                 | To                        | Authority      |
|-----------|----------------------|---------------------------|----------------|
| \$ 10,000 | General              | Professional development  | K.S.A. 72-6428 |
| 536,357   | General              | Special education         | K.S.A. 72-6428 |
| 192,000   | General              | Vocational education      | K.S.A. 72-6428 |
| 25,000    | General              | Food service              | K.S.A. 72-6428 |
| 2,000     | General              | At risk fund (4 year old) | K.S.A. 72-6428 |
| 125,000   | General              | At risk fund (K-12)       | K.S.A. 72-6428 |
| 324,146   | Supplemental general | Special education         | K.S.A. 72-6433 |
| 10,589    | Supplemental general | At risk fund (4 year old) | K.S.A. 72-6433 |
| 46,533    | Supplemental general | At risk fund (K-12)       | K.S.A. 72-6433 |
| 30,612    | Supplemental general | Food service              | K.S.A. 72-6433 |
| 27,729    | Supplemental general | Vocational education      | K.S.A. 72-6433 |

#### NOTE 7—POST EMPLOYMENT BENEFITS

The District has an early retirement incentive program which applies to all eligible certified employees. An employee satisfying the following requirements is eligible for early retirement:

- A. Currently a certified employee who has served a minimum of fifteen (15) consecutive years in the District and,
- B. Is not less than fifty-seven (57) years of age and not more than sixty-four (64) years of age on/or before September 1 of the year in which early retirement is requested; or anyone who meets the KPERS 85 point early retirement plan.
- C. An employee may apply for early retirement by giving written notice to the Superintendent and Board of Education no later than the tenth day of May preceding the anticipated retirement date.

The early retirement benefit shall be computed by the following formula:

- A. Determine the applicant's final salary and benefits as contained in the last contract between the applicant and the District.
- B. Multiply this amount by 15%. This is the maximum allowable early retirement benefit.
- C. Annual payment schedule:
  - a. For a person retiring at age 60 or earlier, the maximum annual benefit as computed in "B" shall be allowed and shall be payable over a five year period in five annual installments.
  - b. For a person retiring at age 61, the allowable benefit shall be the maximum annual benefit as computed in "B" and shall be payable over a four year period in four annual installments.
  - c. For a person retiring at age 62, the allowable benefit shall be the maximum annual benefit as computed in "B" and shall be payable over a three year period in three equal annual installments.

- d. For a person retiring at age 63, the allowable benefit shall be the maximum annual benefit as computed in "B" and shall be payable over a two year period in two equal annual installments.
- e. For a person retiring at age 64, the allowable benefit shall be the maximum annual benefit as computed in "B" and shall be payable within a one year period in one installment.

D. All early retirement benefits shall terminate automatically at the time of final payment or upon the death of the retiree, whichever shall come first.

The early retirement incentive program is authorized by K.S.A. 72-5395. The program is funded on a pay-as-you-go basis. During the year ended June 30, 2010, two early retirees were paid \$14,172 under this program.

The following is a schedule by year of future minimum early retirement payments:

| Year Ending<br>June 30 | Amount    |
|------------------------|-----------|
| 2011                   | \$ 6,477  |
| 2012                   | 6,477     |
| 2013                   | 6,477     |
| 2014                   | -         |
| 2015                   | -         |
|                        | \$ 19,431 |

#### NOTE 8—LEASE AND OTHER COMMITMENTS

The District leases athletic and performing arts facilities from Sterling College. The District is also leasing copiers.

The District had rental expenses of \$37,453 for the operating leases for the year ended June 30, 2010.

The following is a schedule by year of future minimum rental payments required under the operating lease agreements:

| Year Ending<br>June 30 | Amount     |
|------------------------|------------|
| 2011                   | \$ 32,223  |
| 2012                   | 25,000     |
| 2013                   | 25,000     |
| 2014                   | 25,000     |
| 2015                   | 25,000     |
| 2016-2020              | 75,000     |
|                        | \$ 207,223 |

As part of the athletic lease, the District is responsible for one-third of the annual maintenance costs not to exceed \$10,000 which can be paid with in-kind services.

#### NOTE 9—CAPITAL PROJECTS

At June 30, 2010, capital project authorizations with approved change orders compared with expenditures from inceptions are as follows:

|                       | Expenditures<br>06/30/10 | Project<br>Authorization |
|-----------------------|--------------------------|--------------------------|
| Facility improvements | \$ 8,158,298             | \$ 20,400,000            |

#### NOTE 10—RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries and sickness to employees; and natural disasters. The District joined other Kansas school districts to participate in a health insurance public entity risk pool named Educational Services and Staff Development Association of Central Kansas Health Benefit Insurance Group (ESSDACK). The District pays monthly premiums to the pool for its health insurance coverage. ESSDACK is self-sustaining through member premiums and reinsures through commercial insurance companies for individual claims in excess of \$75,000 and aggregate limits dependent on the number of participants. Additional premiums may be due if total losses for the pool are different than what has been anticipated by ESSDACK management. If the pool fails, the District may be required to pay its own obligations.

The District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### NOTE 11—SUBSEQUENT EVENTS

During July 2010, the District received their final state aid payments of \$282,802 for general and \$142,460 for supplemental general for fiscal year ended June 30, 2010. Per K.S.A. 72-6417 and K.S.A. 72-6434, the District is to record any state aid to the District on or after July 1 as a receipt for the school year ended on the preceding June 30.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

Page 1

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title         | American<br>Recovery and<br>Reinvestment<br>Act of 2009 | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures  |
|--|---|---------------------------|---|--------------------------|
| Child Nutrition Cluster  |   |                           |   |                          |
| United States Department of Agriculture                                  |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| School Breakfast Program   |   | 10.553                    |   | \$ 13,779                |
| National School Lunch Program  |   | 10.555                    |   | <u>108,977</u>           |
| Total Child Nutrition Cluster  |   |                           |   | <u>122,756</u>           |
| Title I Part A Cluster   |   |                           |   |                          |
| United States Department of Education                                    |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| Title I Grants to Local Educational Agencies                             |   | 84.010                    |   | 85,138                   |
| Title I Grants to LEAs, Recovery Act                                     | ARRA  | 84.289                    |   | <u>18,065</u>            |
| Total Title I Part A Cluster   |   |                           |   | <u>103,203</u>           |
| United States Department of Education                                    |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| Safe and Drug-Free Schools and<br>Communities_National Programs          |   | 84.186                    |   | 1,731                    |
| Charter Schools  |   | 84.282                    |   | 60,000                   |
| Educational Technology State Grants                                      |   | 84.318                    |   | 651                      |
| Improving Teacher Quality State Grants                                   |   | 84.367                    |   | 24,085                   |
| Statewide Data Systems   |   | 84.372                    |   | 800                      |
| Educational Technology State Grants,<br>Recovery Act                     | ARRA  | 84.386                    |   | 1,602                    |
| State Fiscal Stabilization Fund-<br>Education State Grants, Recovery Act | ARRA  | 84.394                    |   | <u>378,559</u>           |
| Total United States Department of Education                              |   |                           |   | <u>467,428</u>           |
| United States Department of Agriculture                                  |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| Team Nutrition Grants  |   | 10.574                    |   | 1,740                    |
| Fresh Fruit and Vegetable Program  |   | 10.582                    |   | <u>9,145</u>             |
| Total United States Department of Agriculture                            |   |                           |   | <u>10,885</u>            |
| Department of Homeland Security  |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| Emergency Management Performance Grants                                  |   | 97.042                    |   | <u>750</u>               |
| Corporation for National and Community Service                           |   |                           |   |                          |
| Pass-through from Kansas State Department<br>of Education                |   |                           |   |                          |
| Learn and Serve America_School and<br>Community Based Programs           |   | 94.004                    |   | <u>1,185</u>             |
| TOTAL EXPENDITURES OF FEDERAL AWARDS                                     |   |                           |   | <u><u>\$ 706,207</u></u> |

See accompanying notes to schedule of expenditures of federal awards.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2010

Page 2

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the statutory basis of accounting as described in note 1. Expenditures include disbursements, accounts payable, and encumbrances. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Edward C. Michel, CPA  
Michael E. Evans, CPA  
Roger W. Field, CPA  
Gregory D. Daughhetee, CPA  
Clark R. Cowl, CPA  
Todd V. Pflughoeft, CPA  
Robert D. Schraeder, CPA  
Steven R. Stoecklein, CPA  
Kenneth D. Hamby, CPA  
John W. Denney, CPA  
Michael R. Meisenheimer, CPA  
Nick L. Muetting, CPA  
Billy J. Klug, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Education  
Rice County Unified School District No. 376  
Sterling, Kansas**

We have audited the financial statements of Rice County Unified School District No. 376 (the District), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 16, 2010. In our report, our opinion on the financial statements was unqualified based on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of finding and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness. 2010-1

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District council, management, and federal awarding and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lindburg Vogel Pierce Jarvis". The signature is written in a cursive, flowing style.

Certified Public Accountants

Hutchinson, Kansas  
November 16, 2010

Edward C. Michel, CPA

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
(THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON)  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Rice County Unified School District No. 376  
Sterling, Kansas

**Compliance**

We have audited Rice County Unified School District No. 376's (the District), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in internal control over compliance and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-1 to be a material weakness.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District council, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Lindburg Vogel Pierce Laris".

Certified Public Accountants

Hutchinson, Kansas  
November 16, 2010

RICE COUNTY UNIFIED SCHOOL DISTRICT NO. 376  
Sterling, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2010

Page 1

## SUMMARY OF AUDIT RESULTS

## Financial Statements

|   |                                  |
|---|----------------------------------|
| Type of auditor's report issue  | Unqualified<br>(Statutory basis) |
| Internal control over financial reporting   |                                  |
| Material weakness(es) identified?   | Yes                              |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)? | No                               |
| Noncompliance material to financial statements noted?                                       | No                               |

## Federal Awards

|  |             |
|--|-------------|
| Internal control over major programs   |             |
| Material weakness(es) identified?  | Yes         |
| Significant deficiency(ies) identified that are not considered to be material weakness(es)?                        | No          |
| Type of auditor's report issued on compliance for major programs   | Unqualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No          |

## Major Programs

|   |              |         |
|---|--------------|---------|
|   | <u>CFDA#</u> |         |
| United States Department of Education                                   |              |         |
| State Fiscal Stabilization Fund-  |              |         |
| Education State Grants, Recovery Act                                    | 84.394       |         |
| Dollar threshold used to distinguish between type A and type B programs | \$           | 300,000 |
| Auditee qualified as low-risk auditee?                                  |              | No      |

RICE COUNTY UNIFIED SCHOOL DISTRICT NO.376  
Sterling, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended June 30, 2010

Page 2

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

2010-1 Segregation of duties

Condition: There is a lack of appropriate segregation of duties related to all accounting functions.

Criteria: The District is responsible for establishing and maintaining effective internal controls.

Cause: The District does not have adequate funds to achieve the proper segregation of duties.

Effect: Without the proper segregation of duties, the risk that the District's financial statements may be materially misstated increases and the District's responsibility to prevent and detect fraud and preventing or detecting material noncompliance with laws and regulations may be at risk.

Recommendation: Other procedures need to be implemented to the extent possible to lessen the effect of the lack of segregation of duties.

Grantee Response: The District does not have sufficient funds to adequately staff the office to achieve the proper segregation of duties. The District Council does review all nonpayroll expenditures prior to final disbursement and multiple signatures are required on all checks. The District will discuss adding procedures to review payroll expenditures at a future board meeting.

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**UNITED STATES DEPARTMENT OF EDUCATION**

State Fiscal Stabilization Fund-Education State Grants, Recovery Act

CFDA 84.394

**MATERIAL WEAKNESSES**

2010-2 Segregation of duties

The material weakness at Finding 2010-1 also applies to this grant.

RICE COUNTY UNIFIED SCHOOL DISTRICT NO.376  
Sterling, Kansas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Fiscal Year Ended June 30, 2010

No prior audit findings as this is the first time the District has been required to submit a Schedule of Findings and Questioned Costs.